

# ***The Work Opportunity Tax Credit (WOTC)***

Thank you for your interest and participation in Virginia's Work Opportunity Tax Credit Program. Virginia's Employers and their representatives are our clients, and our goal is professional and timely service to all. Our promise to Virginia's business community is open communication and complete transparency. We are committed to excellent, expedited service to our nation's veterans and their employers, and are proud to serve the Commonwealth's employers and employees.

## **BACKGROUND**

The Work Opportunity Tax Credit (WOTC) is a Federal tax credit incentive that the Congress provides to private-sector businesses for hiring individuals from any of *nine* target groups who have consistently faced significant barriers to employment. The objective of this program is to enable the targeted employees to gradually move from economic dependency into self-sufficiency as they earn a steady income and become contributing taxpayers, while the participating employers are able to reduce their federal income tax liability.

Use of the WOTC has substantially increased in recent years as Congress has introduced new target groups, expanded several target groups' requirements, and increased the tax credit for certain groups. During calendar year 2010 Virginia WOTC certified 29,278 applications, most in the food stamp and TANF Target Groups. In 2011 Virginia WOTC certified 39,534 applications.

## **PROGRAM UPDATES**

**On December 31, 2011 the legislative authority for the WOTC program expired. Even though the authorization for the WOTC target groups has ended, it is not uncommon for legislation to be passed by Congress reauthorizing the WOTC program and allowing retroactive certifications. During previous "hiatus periods," the Employment and Training Administration (ETA) has directed States to accept applications (certification requests) in anticipation of a retroactive reauthorization. During this hiatus period Virginia has been instructed to continue to receive applications but not issue certifications for those applications with employee start dates after January 1, 2012. Virginia WOTC is complying with this ETA directive.**

**On November 21, 2011, President Obama signed into law the *Vow to Hire Heroes Act of 2011*. Section 261 of the Act, the "Returning Heroes and Wounded Warriors Work Opportunity Tax Credits," amends and expands the definition of WOTC's Veteran target groups. On February 9, 2012 the IRS issued a press release and detailed guidance for the new WOTC veterans tax credit under the Vow to Hire Hero's Act of 2011. [Click here](#) ↗ for the IRS press release. [Click here](#) ↗ for the detailed IRS administrative rules.**

**The changes and new provisions in this Act apply to individuals who begin to work for an employer the day after its enactment, November 22, 2011, and before January 1, 2013.**

***The Vow to Hire Heroes Act of 2011 includes the following provisions:***

Extends the current target group for Veterans receiving Supplemental Nutrition Assistance Program (SNAP) benefits with the same qualified wages cap<sup>1</sup> (\$6,000) and maximum tax credit (\$2,400).

Extends the current target group for Veterans with a service-connected disability with the same qualified wages cap (\$12,000) and maximum tax credit (\$4,800).

Extends the current target group for Veterans with a service-connected disability unemployed for at least 6 months with the qualified wages cap increased to \$24,000 and the maximum tax credit increased to \$9,600.

Establishes a new target group for unemployed Veterans, similar to the Recovery Act of 2009 unemployed Veteran group that expired on December 31, 2010:

*Veterans unemployed for at least 4 weeks with a qualified wages cap of \$6,000 and maximum tax credit of \$2,400.*

*Veterans unemployed for at least 6 months with qualified wages cap of \$14,000 and maximum tax credit of \$5,600.*

*State Workforce Agencies will certify veterans as meeting the required periods of unemployment based on receipt of unemployment insurance compensation.*

**Note:** The 5-year period ending on the hiring day requirement that was part of the Recovery Act unemployed veteran group was rescinded.

Qualified “tax-exempt” (i.e., 501(c)) organizations can now participate by hiring qualified veterans and are now eligible to claim the WOTC.

These provisions became effective the day after the President signed the *Vow to Hire Heroes Act* into law, November 22, 2011, through December 31, 2012.

The *Vow to Hire Heroes Act* **DOES NOT** extend any of the other (non-Veteran) WOTC target groups, which expired on December 31, 2011.

<sup>1</sup> For Veterans target groups, WOTC is based on qualified wages paid to the employee for the first year of employment. The tax credit is 25% of qualified first-year wages for those employed at least 120 hours but fewer than 400 hours, and 40% for those employed 400 hours or more.

## WHAT NEW HIRES QUALIFY EMPLOYERS FOR THE WOTC?

**Target Group A: *TANF recipient’s*.** A member of a family that is receiving or recently received Temporary Assistance to Needy Families (TANF) benefits for any 9-month period during the 18-month period ending on the hiring date.

**Target Group B: *Qualified Veteran*.** A veteran who is a member of a family that is receiving (or recently received) Food Stamps for at least a 3-month period during the past 15 months, ending on the hiring date; and for individuals who begin to work for an employer after May 25, 2007. The tax credit for this target group is calculated at the rate of 25% of the qualified first-year wages up to \$6,000 for employees working at least 120 hours but less than 400 hours.

This allows a maximum credit amount of \$1,500. For employees working at least 400 hours or more, the credit is calculated at the rate of 40% of the qualified first-year wages up to \$6,000. This allows a maximum credit amount of \$2,400.

The veteran group was expanded to include “**disabled veterans**” (group B2) who are entitled to compensation for a service-connected disability **and** who, during the one-year period ending on the hiring date, were either: a) discharged or released from active duty in the U.S. Armed Forces, **or** b) unemployed for a period or periods totaling at least 6 months. The first-year wages taken into account for these “disabled veterans” are capped at \$12,000, for a maximum tax credit of \$4800.

**Important Note:** Allowable documentation: A completed Form DD-214, and a statement from any military agency that is provided on agency letterhead or includes a stamp (and signature) and contact information from the individual at the agency who verified such disability information.

**Target Group C: *Qualified Ex-Felon*.** An individual who has been convicted of a *felony* and has a hire date which is not more than one year after the last date on which he was so convicted or released from prison. Felons who are participating in a work release program are qualified under this target group.

**Important Note:** Signed documentation from the Court System, Virginia Department of Corrections, or the parole officer assigned to the *ex-felon* that specifies: 1. the type of conviction (felony) 2. the date of conviction and 3. the release date, is required as verification for this target group.

**Target Group D: *Designated Community Resident*.** An 18-39 year old resident of one of the federally designated Empowerment Zones (EZs), Enterprise Communities (ECs), Renewal Communities (RCs), and for individuals who begin to work for an employer after May 25, 2007, this High-Risk Youth group has been renamed “Designated Community Resident” and expanded to include residents of Rural Renewal Counties.

**Important Note:** For information about other EZ/EC/RC locations, visit the U.S. Department of Housing and Urban Development (HUD) Web site at <http://www.hud.gov/cr>, or call 1-800-998-9999. Zip code information for EZ/EC/RC locations is available on the USPS web site at: <http://zip4.usps.com/zip4/welcome.jsp>.

**Target group E: *Vocational Rehabilitation Referral*.** An individual who has completed or is receiving rehabilitative services from a State certified agency, an Employment Network, or the U.S. Department of Veterans Affairs.

**Important Note:** Signed documentation must be provided to verify that the applicant was referred to the employer by Voc-Rehab upon completion of, or while receiving services pursuant to a written plan of employment.

**Target Group F: *Summer Youth Employee*.** A 16 to 17 year old EZ/EC or RC resident hired between May 1 and September 15. The youth cannot have been employed by the same employer prior to the 90 day period between May 1, and September 15.

**Target Group G: *Qualified Food Stamp Recipient*.** An 18-39 year old member of a family that received Food Stamps for the past 6 months, **or** received Food Stamps for at least 3 of the past 5 months, ending on the hire date.

**Target Group H: *SSI Recipient*.** A recipient of Supplemental Security Income (SSI) benefits for any month ending during the past 60-day period, ending on the hire date.

**Important Note:** Documents verifying receipt of SSI may be submitted with the original application, or must be provided upon request. Virginia WOTC is unable to verify SSI records.

**Target Group I: Long-term TANF Recipient.** A member of a family that:

1. Received or recently received Temporary Assistance to Needy Families (TANF) payments for at least 18 consecutive months ending on the hiring date, **or**
2. Received TANF payments for any 18 months (whether or not consecutive) beginning after August 5, 1997, and the earliest 18-month period beginning after August 5, 1997 ended during the past 2 years, **or**
3. Stopped being eligible for TANF payments during the past 2 years because federal or state law limited the maximum time those payments could be made.

***Important Notice to Employers and Consultants:***

**Minimum employment or retention period.** The WOTC amount an employer may claim depends on the number of hours the employee works. All new adult employees must work a minimum of 120 or 400 hours. The credit is 25% of qualified first-year wages for those employed at least 120 hours but fewer than 400 hours, and 40% for those employed 400 hours or more. Individuals hired as Summer Youth employees must work at least 90 days, between May 1 and September 15, before an employer is eligible to claim the tax credit.

**Rehires.** Federal law prohibits an employer from claiming a tax credit under WOTC for an employee who has worked for that employer prior to the employment hiring date reported on IRS Form 8850. Employers and consultants **must not** submit WOTC certification requests for former employees.

**Submission of false information.** Falsification of information submitted to obtain a WOTC certification is a FEDERAL CRIME in violation of 18 USC 1001. Falsification of work history or concealment of information is punishable by a fine or imprisonment.

**HOW CAN VIRGINIA EMPLOYERS PARTICIPATE IN THE WOTC?**

1. The [new employee](#) must *complete and sign* page one of IRS Form 8850 (Rev. 8-2009) by the day the job offer is made. Previous versions of this form are **not** acceptable.
2. The [employer](#) must *complete and sign* page two of IRS form 8850 **after** the individual is hired.
3. The [employer](#) must *complete and sign* the one page ETA Form 9061 (August 2009). Previous versions of this form are **not** acceptable
3. Mail the fully completed and signed IRS and ETA forms along with any additional required documentation to:

**Virginia Employment Commission  
WOTC Program - Room 209  
P. O. Box 1358  
Richmond, VA 23218-1358  
E-Mail: [WOTC@vec.virginia.gov](mailto:WOTC@vec.virginia.gov)  
804-786-2887 (voice mail available)**


***Important Note:*** The fully completed and signed forms **must be postmarked within 28 days** after the new employee's employment-start date. If not postmarked within 28 days, the application **will** be denied.

**At the present time Virginia WOTC is not accepting applications by fax or electronic means. Faxed, photocopied, or electronic signature documents will *not* be accepted.**

### **REQUIRED FORMS:**

**IRS Form 8850 (Rev. January 2012) - Pre-Screening Notice and Certification Request**  
<http://www.irs.gov/pub/irs-pdf/f8850.pdf>

**IRS Form 8850 – (Rev. January 2012) – Instructions**  
<http://www.irs.gov/pub/irs-pdf/i8850.pdf>

**ETA Form 9061 (Rev. August 2009) - Individual Characteristics Form (ICF)**  
[/vecportal/alert\\_main.cfm?outsideurl=www.doleta.gov/business/Incentives/opptax/PDF/WOTC\\_ETA\\_Form\\_9061.pdf](/vecportal/alert_main.cfm?outsideurl=www.doleta.gov/business/Incentives/opptax/PDF/WOTC_ETA_Form_9061.pdf) 

**ETA Form 9154 (February 2010) – Youth Self-Attestation Form –**  
[/vecportal/alert\\_main.cfm?outsideurl=wdr.doleta.gov/directives/attach/TEGL/TEGL3-09c2a1.pdf](/vecportal/alert_main.cfm?outsideurl=wdr.doleta.gov/directives/attach/TEGL/TEGL3-09c2a1.pdf) 

### **HOW EMPLOYERS CLAIM THE WOTC CREDIT:**

Employers file for the tax credit when they complete their annual Business Federal Income Tax Forms. In addition employers will need [IRS Form 5884](#) and the Tax Credit Certification document issued by Virginia WOTC.